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SUBJ: ECONOMIC OUTLOOK FOR 1974

SUMMARY: LOOKING TOWARDS NEW YEAR, JUDGMENT OF
FUTURE STATE OF AUSTRIAN ECONOMY IS BEDEVILED BY
NUMEROUS UNKNOWN VARIABLES BROUGHT ABOUT BY ENERGY
CRISIS. FUNDAMENTALLY, STATE OF AUSTRIAN ECONOMY
REMAINS SOUND, BUT IT MUST BE ANTICIPATED THAT GENERAL
OUTLINES OF IMPACT WILL BECOME CLEARER DURING MIDDLE
AND LATTER PART OF 1974. ALTHOUGH CURRENT PREDICTIONS
FOR AUSTRIA MORE FAVORABLE THAN FOR ITS WESTERN NEIGH-

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SULATED FROM MULTIPLIER EFFECTS OF FUEL SHORTAGE IN
EUROPE. END SUMMARY.

1. A KEY VARIABLE WILL BE ECONOMIC PULSE IN NEIGHBORING COUNTRIES, PARTICULARLY FRG, SINCE AUSTRIAN TRADE AND TOURISM TIED CLOSELY TO LATTER. ANOTHER VARIABLE IS EXTENT TO WHICH AUSTRIA CAN MAINTAIN ITS CURRENTLY FAVORABLE CRUDE OIL IMPORT SITUATION. HOWEVER, EVEN IF CURRENT CRUDE OIL SUPPLIES ARE KEPT AT PRESENT LEVELS, HEAVY DEPENDENCE ON NOW DECLINING SUPPLY OF REFINED PRODUCT IMPORTS WILL BE SIGNIFICANT FACTOR, PARTICULARLY IN FIRST PART OF 1974.

2. LOCAL EXPERTS APPEAR TO AGREE ON LESS DRAMATIC EVALUATION OF SITUATION THAN ZERO GROWTH PREDICTION IN WEST GERMANY. AUSTRIAN INSTITUTE FOR ECONOMIC RESEARCH HAS FORECAST SLOWDOWN FROM 6 PERCENT IN 1973 TO 3 PERCENT GROWTH RATE NEXT YEAR. INSTITUTE HAS MADE DOWNWARD REVISIONS PARTICULARLY FOR MANUFACTURING, CONSTRUCTION, RETAIL AND WHOLESALE TRADE AND PRIVATE SERVICES. SLOWDOWN WILL BE ACCOMPANIED BY INCREASE IN INFLATION AT RATE CURRENTLY ESTIMATED AT 8 TO MAXIMUM OF 10 PERCENT. TIGHT LABOR MARKET SITUATION EXPECTED TO EASE SOMEWHAT, BUT UNEMPLOYMENT CURRENTLY RANGING BETWEEN 50,000 AND 60,000 SHOULD NOT EXCEED 100,000 MARK, OR 4 PERCENT OF TOTAL EMPLOYMENT DURING 1974, ACCORDING TO PRESENT FORECASTS.

3. GOA IS CONTINUING STABILIZATION PROGRAM WITH SOME MODIFICATIONS, AND AGREEMENT HAS BEEN REACHED TO CONTINUE BASICALLY RESTRICTIVE MEASURES IN FISCAL, MONETARY AND PRICE POLICIES. THIS ALSO APPLIES TO CAPITAL IMPORTS WHICH CONTINUE TO BE SUBJECT TO INDIVIDUAL LICENSING BY AUSTRIAN NATIONAL BANK THROUGH JUNE 30, 1974.

4. GOVERNMENT IS PURSUING "NO PANIC" ATTITUDE AND POLICY OF GRADUALISM IN MAKING PUBLIC AWARE OF MEASURES TO CONSERVE ENERGY. ALTHOUGH THERE IS STILL CONSIDERABLE PUBLIC CONFIDENCE THAT SOMEHOW OR OTHER COUNTRY MAY BE ABLE TO WEATHER STORM, SOME UNEASINESS HAS CREPT INTO CHRISTMAS SPIRIT. SOME BANKS ARE CONCERNED THAT EXPECTATIONS OF DOWNTURN WILL AFFECT INVESTMENT AND TRADE. LIMITED OFFICIAL USE
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ING DECISIONS. THERE IS ALSO SOME CONCERN AMONG ECONOMIC EXPERTS THAT TOURIST AND EXPORT RECEIPTS WILL DROP.

5. EMBASSY FEELS THAT GOA IS FOLLOWING SENSIBLE STANCE IN THIS HOARDING-PRONE COUNTRY BY ACCENTUATING POSITIVE FACTORS AS MUCH AS POSSIBLE WHILE AT SAME TIME CONDITIONING PUBLIC GRADUALLY TO NECESSARY BELT TIGHTENING IN ENERGY CONSUMPTION AND TO POSSIBLE CONSEQUENCES OF CRISIS. PRIMARY EMPHASIS OF PUBLIC PRONOUNCEMENTS IS ON MAINTENANCE OF FULL EMPLOYMENT, SAFEGUARDING TOURISM,

AND EXPANSION OF REFINERY AND POWER FACILITIES.MOWINCKEL

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